MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

BBF2644 – BANK MANAGEMENT

(All sections /Groups)

12 OCT 2015
9.00a.m - 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 2 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given .
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

A. Discuss why are financial institutions prone to liquidity management problems? (5marks)

B. Bank Negara Malaysia opened its doors as a Central Bank on January 26, 1959, just over a year after Malaysia gained independence in August 1957, reflecting the importance that was being accorded by our founding fathers to the institution of Central Banking. At the very outset, the Central Bank was entrusted to provide leadership in performing the traditional Central Bank mandate of promoting monetary and financial stability. Explain five of the functions of Bank Negara Malaysia. (10marks)

C. Explain what services are provided by investment banks (IBs)? Who are their principal clients? Discuss what risks do investment products pose for the institutions that sell them and explain how might these risks be minimized? (10marks)

(Total 25marks)

QUESTION 2

A. Argue how can financial-service customers limit the sharing of their private data by different financial-service firms? In what ways could customer information sharing be useful for financial institutions and for their customers? Explain what possible danger does information sharing present? (10marks)

B. Discuss what changes in the regulation of bank capital were brought into being by the Basel Agreement? (5marks)

C. Explain what are the most significant differences among Basel I, II, and III? Explain the importance of the concepts of internal risk assessment, VaR, and market discipline. (10marks)

(Total 25marks)

QUESTION 3

A. Comment in detail why do the managers of financial firms often pay close attention today to the net interest margin and noninterest margin? To the earnings spread? (10marks)

B. Briefly describe the following Islamic banking principles:
(i) Al-Wadiah (ii) Al-Musyarakah (iii) Bai' Al-Dayn (10marks)

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C. In order to evaluate the usefulness of financial ratios to predict firm status in Malaysia, data for firms listed on the Industrial sector of Bursa Malaysia's Main Board were collected. Financial ratios are used to determine the financial health of a borrower. However, financial ratios have their limitations. Discuss five limitations in using financial ratios?
(5 marks)

(Total 25marks)

QUESTION 4

A. Specify in detail, what relationship appears to exist between bank size, efficiency, and operating costs per unit of service produced and delivered? How about among nonbank financial-service providers?
(5marks)

B. Discuss at length what types of tools have international banks developed to help protect themselves and their customers against currency and interest rate risk? How does each tool accomplish its purpose?
(10marks)

C. Are banking and commerce—financial and nonfinancial firms—on a collision course for the future? Determine what challenges do companies like Google Malaysia and Starbucks pose for commercial banks? For regulation? Explain the ongoing efforts to maintain a safety net to protect the public's deposits and preserve public confidence in the financial system?
(10marks)

(Total 25marks)

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